

Ellinger, Chair  
Stinnett, Vice Chair  
Gorton  
Kay  
Ford  
Beard  
Farmer  
Scutchfield  
Mossotti  
Henson

# A G E N D A

## Special Budget & Finance Committee

### December 10, 2013

### 2:00 P.M.

1. November 19, 2013 Committee Summary (1-4)
2. Comprehensive Annual Financial Report (2013 CAFR) (5-12)
3. Items Referred to Committee (13)

"Budget & Finance Committee, to which shall be referred matters relating to the Department of Finance and Administration and its divisions, and any related partner agencies, the urban county courts and constitutional officers, fiscal operations of the government, revenues and expenditures of the government, and organization changes which affect the fiscal operations of the government. Additionally, this committee shall review the final audit report and management letter of the accounting firm recommended by the Mayor and selected by the Council to conduct the annual financial audit of the Urban County Government and shall report its findings concerning the same to the Mayor and Council for appropriate action." Council Rules & Procedures, Section 2.102 (1) Effective January 1, 2011. Adopted by Urban County Council October 14, 2010

#### Future Meeting Schedule

March 19	June 18	October 22
April 30	August 27	November 19
May 28	October 1	December 10

BUDGET & FINANCE COMMITTEE  
November 19, 2013  
Summary

Ellinger called the meeting to order at 1:01 PM. All members present. Clark also attended.

**I. October 22 Committee Summary**

On a motion by Farmer second Kay the summary of the October 22 Budget & Finance Committee meeting was approved unanimously.

**II. Monthly Financial Report**

Bill O'Mara, Finance Commissioner provided the monthly financial report. He discussed several economic indicators. He stated that the unemployment rate and other indicators were heading in a positive direction.

O'Mara also addressed the Code Enforcement abatement collections for September.

Melissa Lueker stated that actual revenue was about \$ 750,000 ahead of the General Fund budget through October. She also stated that actual expenses were about \$ 3.1 million below budget through September, along with a positive variance in transfers of approximately \$ 350,000 for a positive variance of \$ 4.2 million.

In response to a question from Lane, Lueker stated that the positive variance in the Services category was attributable to increased Detention Center revenue.

**III. Outsourcing Internal Audit Functions**

Ellinger asked Glenda George to summary her legal opinion. George stated that the civil service employees within the Office of Internal Audit are governed by KRS 67A and Chapter 21 of the Code of Ordinances. She stated that to eliminate the civil service positions the Government would need to find that the positions are no longer necessary or an economic necessity. She stated that if the Government was interested in outsourcing the work it could not argue that the positions were not necessary. She also stated that outsourcing would probably be as expensive as staffing the office so there would be limited ability to claim economic necessity.

Paul Schoninger summarized his memo. He stated that the only local government he could identify that outsourced internal audit function was Stockton, California.

Schoninger stated that officials with the Association of Local Government Auditors reviewed several of the Lexington audits and suggested that the office utilize the Government Accountability Office "yellow book" standards.

Bruce Sahli Director of the Office of Internal Audit presented a Power point presentation.

Sahli stated that the Office had proven to be effective and efficient. He identified numerous findings and recommendations that streamlined government operations.

In response to a question from Ellinger Sahli stated that most of the local government audit units utilize the Institute of Internal Audit standards.

Ellinger stated that the General Government link referred this issue to the Budget & Finance Committee because of concerns about staff size and budget compared to several peer local governments. In response Sahli stated that the comparison that the link referred to compared 2010 budgets and staff of a few comparable communities to the 2013 budget and staff size for the Lexington office. Sahli offered to provide a more timely comparison.

#### **IV. Debt Management Policy**

O'Mara presented the Debt Management Policy. He stated that it was a guide for how LFUCG may issue debt, the amount of debt the government can support and the types of acceptable debt.

O'Mara stated that the policy was drafted to improve the quality of decision making and to assure rating agencies and capital markets of good governance.

He stated that the policy has a few goals about refunding of debt and affordability/capacity targets. O'Mara stated that when LFUCG examines refunding potential the target of savings is 3%. He also stated that the LFUCG goal for debt capacity is 10% of recurring revenue.

O'Mara stated currently LFUCG has approximately 13.4 % of revenue in debt. He stated that LFUCG should be at the 10% level by 2020.

Stinnett stated that he referred this issue because the Council had never formally adopted the policy and as a refresher for the Council.

On a motion by Stinnett second Mossotti the Committee recommended that the Council adopt the Debt Management Policy unanimously.

#### **V. Urban Services Refund Policy**

Stinnett introduced the topic. Charlie Martin discussed the Urban Services Refund Policy. Martin explained the current refund policy for street lights, waste collection and street cleaning. He said that LFUCG has refunded property owners if street lights weren't installed during the calendar year but not for solid waste and street cleaning.

He stated that the Administration is reviewing this and would like to get out of the refund practice and develop a more reasonable policy.

Mossotti asked about the refund process. O'Mara discussed the Urban Services Tax Ordinances. Schoninger stated that approximately 1200 properties were refunded the tax. The refund totaled approximately \$ 34,000.

Stinnett suggested that the tax not be assessed until the services are provided rather than at the beginning of the year.

In response Martin stated that that is the type of policy that the Administration is leaning toward.

Scutchfield stated that over 900 properties are due refunds in the 7<sup>th</sup> District. She asked about the timetable to install the street lights.

In response Martin stated that Kentucky Utilities has a back log of street light installations. Barberie stated that part of the problem was caused when LFUCG ordered a moratorium on street light installations.

Gorton asked about a graduated tax for new development to account for street lights, street cleaning and solid waste collection. In response Barberie stated that the Administration is considering staggering urban services to new development. He stated that solid waste would be offered first, and then followed by street lights and finally street cleaning.

Farmer discussed the decorative street light policy. He stated that at least 1 neighborhood in the 5<sup>th</sup> District is interested in the program so he wanted to continue that discussion with KU and the Administration in the near future.

In response to a question from Akers, Kevin Wentz discussed the street light installation process and offered to get a timetable for the new development areas still without street lights.

Stinnett reviewed what information the Administration will provide to the Committee including a list of streets without urban services and a timetable to install in those cases; a more reasonable policy for installation of urban services and the Administration will meet with KU regarding ramping up installation efforts

Stinnett asked about properties that pay for public solid waste services but utilize private collection services. In response Barberie stated that LFUCG offers solid waste services to every property in that urban services tax district but some properties prefer to utilize private collection services. He stated that some properties prefer to use compactor services which LFUCG doesn't offer for example.

Akers asked why LFUCG doesn't offer compactor service. In response Martin indicated that the solid waste collection business has evolved and LFUCG made a business decision to not offer compactor service.

Stinnett requested that the item stay in the committee for further discussion.

#### **VI. FY 15 Links Discussion**

Ellinger discussed the FY 15 links process. He asked Schoninger to discuss the changes he proposed. Schoninger stated that he had 4 proposals for the Committee consideration:

1. Create a Planning/Preservation/Development link and merge the General Services and General Government links; 2. Encourage to Links to meet prior to reviewing divisions to discuss priorities and issues; 3. Utilize the aides of all Councilmembers in addition to core staff to staff the Links; and 4. Formalize the reporting process.

Kay stated that he was concerned about the merger of General Services and General Government and thought that link would have too many small divisions to review. In response Ellinger requested that Schoninger chart proposed links with the current links.

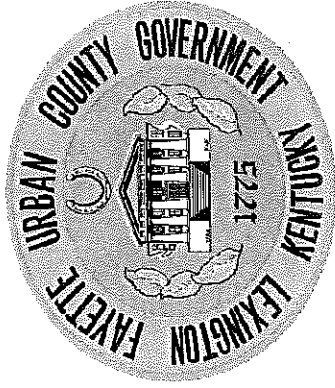
#### **VII. Items Referred to Committee**

On a motion by Farmer second Ford the fund balance issue was removed unanimously.

On a motion by Farmer second Gorton the outsourcing internal audit issue was removed unanimously.

On a motion by Gorton second Farmer the risk management issue was removed unanimously.

Meeting adjourned at 2:44 PM.



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# ***Budget & Finance Committee***

## *Fiscal Year 2013*

### *Comprehensive Annual Financial Report*

*December 10<sup>th</sup>, 2013*

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## 2013 Year-end Financial Update

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- ❖ LFUCG was issued a clean opinion on November 15, 2013 for the FY2013 financial statements
- ❖ A133 (Single Audit) estimated completion date Dec 2013.
- ❖ Anticipated Auditor Presentation - January



# **Fund Balance in Major Funds**

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## **Urban Fund**

❖ Fund Balance - \$28.6M

## **Sanitary Sewer Fund**

❖ Fund Balance - \$60.7M

❖ Capital Reserves – \$42.4M

❖ Debt Service Reserve - \$8.8M

❖ Capital Replace & Maint Rsv - \$9.5M





## **Fund Balance in Major Funds (cont.)**

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### **Landfill Fund**

❖ Fund Balance - \$14.5M

### **Water Quality Fund**

❖ Fund Balance - \$10.1M

❖ WQ Incentive Program Reserve - \$4.0M

❖ Unrestricted Fund Balance - \$6.1M



## **Fund Balance in Major Funds (cont.)**

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### **General Fund**

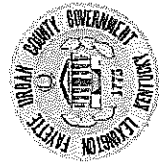
- ❖ Nonspendable - \$1.4M
- ❖ Restricted –
- ❖ Energy Improvements- \$0.4M
- ❖ Committed - \$29.9M
- ❖ Economic Contingency - \$23.3M
- ❖ 27<sup>th</sup> Payroll - \$5.5M
- ❖ Other General Funds - \$1.1M



## **Fund Balance in Major Funds (cont.)**

### **General Fund**

- ❖ Assignments - \$18.4M
- ❖ Litigation Reserve – \$5.5M
- ❖ Health Insurance Reserve - \$2.0M
- ❖ Pension Reserve – \$2.8M
- ❖ Projects - \$8.1M
  
- ❖ Unassigned - \$4.3M





***Thank you!***

*LFUCG Department of Finance*

### Budget & Finance Committee Referrals

Item	Referred By	Date Referred	Status
Solid Waste Costs/Revenue/Tax Structure	Gorton	2-1-11	Waste Management Task Force
Cost Per Ton; Cost Per Customer			
Impact of User Fee Structure			
Local Vendor Preference*	Gorton	10-14-10	11.29 WS
Minority/Women Business Recruitment*	Stinnett	10-7-10	Procurement Task Force
Purchasing, Procurement & Professional*			
Service Selection Process	Crosbie/Ellinger	9-24-10	Procurement Task Force
Activity Based Costing/Financial Efficiency Lane		1-16-12	1.31.12
Affordable Housing Trust Fund Report	Gorton	4-10-12	9.25.12 & 11.27.12
Financial Implications of the			
Mayor's Homelessness Commission	Kay	1-29-13	2.19.13
Franchise Fees	Gorton	2-26-13	
Debt Management Policy Review	Stinnett	10-22-13	
Refunding Urban Services Property Tax	Stinnett	11-5-13	
Increasing Certain Parking Fines	Gorton	12-3-13	
Reduce/Eliminate LexArts Financial Support			
In Exchange for Allowing DAC to Keep			
Program Revenue	Gorton	12-3-13	

\* Purchasing related items were also referred to Purchasing & Procurement Task Force

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